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MONITORING CORN AND SOYBEAN EXPORTS

As the 2004 corn and soybean harvest is concluded, the markets will focus on the availability of storage and the rate of selling by producers. Assuming the November USDA *Crop Production* report confirms the current projections of crop size, however, the rate of use of the crops will become top priority for price direction.

The demand focus will tend to be on exports for two reasons. First, there is more uncertainty about the magnitude of exports than the magnitude of domestic use for the year and second, weekly USDA export data are available for the market to digest. The weekly *Export Inspections* report, released on Monday morning, reveals the amount of crop inspected for export during the previous week, ending on Thursday. The report allows the market to monitor the rate of inspections in relation to the USDA's projection of exports for the year and in relation to the rate of inspections in previous years. Weekly inspection figures are frequently revised in the following weekly report. The revisions are almost always higher than the initial estimates.

The weekly *Export Sales* report, released on Thursday morning, reveals the amount of crop exported and the magnitude of new sales during the week ended on the previous Thursday. This report allows the market to monitor the rate of shipments and the rate of commercial export sales by destination. Again, the weekly report provides for an evaluation of actual export business in relation to the level of exports projected for the year.

The USDA also has a daily export reporting system and requires exporters to report sales of 100,000 tons or more to a single buyer. The Census Bureau reports exports by commodity on a monthly basis, typically about 6 weeks after the end of the month. The Census Bureau estimates are official and are reflected in the USDA's supply and demand balance sheets for previous marketing years.

The corn and soybean marketing year begins on September 1, so for the 2004-05 marketing year, about 8 weeks of the export inspection data and 7 weeks of export data are available from the two weekly reports. Cumulative export sales data are available from the time of the first sale for delivery during the current marketing year.

Export inspections for corn from September 1 through October 28, 2004 totaled 267 million bushels, about 20 million less than the total of a year ago. Inspections have averaged 32 million bushels per week during the first 8 weeks of the year. To reach the USDA projection of 2.075 billion bushels for the year, inspections need to average about 41.4 million bushels per week from now through August 2005. Cumulative exports during the first 7 weeks of the year, as reported in the USDA's *Export Sales* report, exceeded inspections by 16 million bushels. That report indicates weekly shipments now need to average 41 million per week to reach the USDA projection for the year.

Unshipped export sales of corn as of October 21, 2004 were estimated at 336 million bushels, compared to 379 million bushels on the same date last year. Japan, Taiwan, and Mexico have smaller outstanding purchases than at this time last year. Importantly, however, both shipments and outstanding sales to South Korea are large, compared to very little activity at this time last year. To reach the USDA projection, new corn sales need to average only 33 million bushels per week for the rest of the year. The average for the last 3 reporting weeks was 51 million bushels.

Export inspections for soybeans from September 1 through October 30, 2004 totaled 195 million bushels, about 15 million above the total of a year ago. Inspections have averaged about 23.5 million bushels per week so far in the 2004-05 marketing year. Cumulative exports for the first 7 weeks of the year, as reported in the *Export Sales* report, were about 7 million bushels less than inspections. Average exports of about 19 million per week are needed for the rest of the year to reach the USDA projection of 1.025 billion bushels for the year. However, there is a clear seasonal pattern for U.S. soybean exports because of the influence of South American production. Weekly shipments tend to be large from October through March and small from April through September. A weekly rate of about 30 million bushels from October through March 2005 would be consistent with the current USDA projection.

Unshipped export sales of soybeans as of October 21 totaled 316 million bushels compared to 399 million on the same date last year. The total of exports and unshipped sales were about 77 million bushels (15 percent) less than on the same date last year. Business to Europe, Japan, Mexico, and Taiwan is a little slower than last year. However, business with the largest buyer, China, is at the same high level as a year ago. To reach the USDA's projection for the year, new sales to all destinations need to average about 13 million bushels per week. The average for the last 3 reporting weeks was 35.3 million bushels.

Comparisons to last year's export pace should be made with caution, particularly for soybeans. Last year soybean export activity was very brisk in the first quarter of the year, but dropped sharply in the last half of the year due to limited supplies. It is a little early in the 2004-05 marketing year to draw conclusions from the current pace of export activity, but the slow pace of corn shipments is a concern. Sales need to be sustained at high levels for the market to maintain confidence in the USDA forecasts. Chinese export activity will be an important factor in determining demand for U.S. corn. For soybeans, Chinese buying and the progress of the South American crop will be important.

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